



ANNUAL SHORT REPORT

For the year ended
31 October 2016

Henderson
GLOBAL INVESTORS

Henderson Japan Opportunities Fund

Henderson Japan Opportunities Fund

Short Report

For the year ended 31 October 2016

Investment Fund Manager

Henderson Japanese Equity Team

Investment objective and policy

To aim to provide capital growth by investing in Japanese companies. The fund is not restricted in the size of companies in which it can invest.

Risk and reward profile

The fund currently has 2 types of share class in issue; A accumulation and I accumulation.

Each share class has the same risk and reward profile which is as follows:



The Synthetic Risk and Reward Indicator (SRRI) is calculated based on historical volatility over a rolling 5 year period, it is reviewed monthly and updated if volatility has changed materially to cause a movement in the SRRI level. The SRRI is an indicator and may not accurately reflect future volatility and market conditions.

The value of an investment in the fund can go up or down. When you sell your shares they may be worth less than you paid for them.

The risk/reward rating above is based on medium-term volatility. In the future, the fund's actual volatility could be higher or lower and its rated risk/reward level could change.

The lowest category does not mean risk free.

The fund's risk level reflects the following:

- The fund focuses on a single country.
- As a category shares are, in general, more volatile

than either bonds or money market instruments.

- Fluctuations in exchange rates may cause the value of your investment to rise or fall.

The rating does not reflect the possible effects of unusual market conditions or large unpredictable events. Under normal market conditions the following risks may apply:

Counterparty risk The fund could lose money if a counterparty with which it transacts becomes unwilling or unable to meet its obligations to the fund.

Liquidity risk Certain securities could become hard to value or sell at a desired time and price.

Management risk Investment management techniques that have worked well in normal market conditions could prove ineffective or detrimental at other times.

The full list of the fund's risks are contained in the "Risk Factors" section of the fund's prospectus.

The risk rating for A accumulation changed from 5 to 6 in the year; I accumulation remains the same at 6.

The SRRI conforms to the ESMA guidelines for the calculation of the SRRI.

Investment review

The TOPIX Total Return Index declined 8.6% in local terms, but delivered a positive return of 32.8% in sterling terms over the year, as the yen strengthened against sterling from 186 to 128. The market decline was driven by two factors. Firstly, the economy underwhelmed, with weakness in global trade leading to a decline in exports and raising concern over the outlook for the domestic economy. Such fears were exacerbated by the sudden bout of yen strength, with its potential to further undermine exports as well as corporate profitability. The adoption of a negative interest-rate policy by the Bank of Japan at the end of February failed to stem the yen strength and called into question the viability of Prime Minister Shinzo Abe's reflation policies;

this led to a further selling by foreign investors. Against this backdrop, defensive sectors such as food, telecommunications and pharmaceuticals outperformed. Financial sectors, led by banks, fell sharply as the negative interest-rate policy was thought to have hurt earnings. Exporters such as autos also suffered, reflecting the impact of the yen strength on earnings. Smaller companies, by default, outperformed.

The fund rose 36.8% over the year, outperforming the index by 4.0% in sterling terms. The biggest positive sector contribution came from our long-held overweight position in information technology, with notable positive contributions from the consumer discretionary and real estate sectors. At a stock level, the largest contributor to performance was Nintendo. Following the release of the Pokémon Go game, the share price rose by more than 120%, doubling its market capitalisation to ¥4.5trn. Consumer stock Round One, which operates bowling alleys and amusement arcades, was another notable contributor to performance. Keyence, a manufacturer of sensors, reported strong earnings, lifted by robust growth in its auto and electronic segments. The share price rose by almost 50% in the period before we took profits on the position. Yamada Denki, Japan's leading retailer of consumer electronics, rebounded as the benefits of a radical restructuring policy began to materialise.

The number of holdings was reduced by one to 31. We sold three holdings for valuation reasons: Nomura Research Institute, a software company; Round One, the aforementioned bowling alley operator, and Rakuten, an e-commerce and internet company. We also sold Yamato Holdings, as it has struggled to convert its market-leading position in logistics into sustainable free-cash flow. We switched out of long-term holdings Toyota and Sony and opened positions in Hitachi and Denso. Toyota's weak sales in hybrid electric vehicles and the International Multi-purpose Vehicle series in emerging markets, due to declines in key markets like the Association of Southeast Asian Nations and the Middle East, as well as stronger competitiveness

and increased market share for rivals, led us to sell our position. We took profits on Sony after strong relative performance. Hitachi, a highly diversified company, is increasing the pace of its restructuring in response to changes in its business environment, with plans to continue to strengthen its digital solutions business. We are bullish on management's focus on reaccelerating improvement in profitability. Denso, a leading supplier of advanced automotive technology, has the capacity to benefit from market growth by leveraging technology in advanced fields such as vehicle electrification and advanced driver assistance system (ADAS). We view this as attractive, amid progress with electrification and a general uptake of ADAS. We exited our position in Nintendo near its highs in the third quarter as it had hit our valuation levels. We allocated the capital raised into the much unloved sector of real estate development by opening a position in Mitsui Fudosan. We believe the strong balance sheet, assets and the markets they are in will continue to perform well and that management are gradually becoming more receptive and understanding of shareholders' needs. We expect better capital management policies to lead to a significant re-rating (stock reassessment by the market).

The stability of Japan's political environment is an important and underappreciated attribute in a world of rising uncertainty driven primarily by political division and leading to the emergence of de-globalisation. Against the backdrop of a corporate sector that is delivering decent earnings despite negative foreign exchange momentum aspects, it is easy to forget that in US dollar terms, Japan has performed well as a market, in contrast to tabloid perceptions anchored around the political slogan 'Abenomics'. As the investing environment evolves, and improving corporate behaviour towards shareholders and transformation continues, we are becoming more encouraged that our framework for identifying opportunities, patiently constructing portfolios and managing risk is one that is working, and is well-positioned to continue to do so, with the aim of delivering good sustainable risk/reward outcomes to investors.

Performance summary

	31 Oct 15- 31 Oct 16 %	31 Oct 14- 31 Oct 15 %	31 Oct 13- 31 Oct 14 %	31 Oct 12- 31 Oct 13 %	31 Oct 11- 31 Oct 12 %
Henderson Japan Opportunities Fund	36.8	19.9	(0.5)	30.3	(4.7)
JCGOJI Composite Benchmark*	32.8	14.5	0.0	34.6	(2.9)

Source: Morningstar, bid to bid and net of fees, as at 12 noon valuation point, based on performance of Class A accumulation. Benchmark values are as at close of business. Figures in brackets are negative.

The composite uses the Tokyo Exchange First Section (TOPIX) from 31/03/15. Prior to this it was made up of of the MSCI Japan Index.

Please remember that past performance is not a guide to future performance. The value of an investment and the revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Fund facts

Accounting dates

30 April, 31 October

Payment dates

31 December

Ongoing charge figure

	2016 %	2015 %
Class A	1.71	1.71
Class I	0.86	0.85

The annualised ongoing charge figure (OCF) of the fund, calculated as the ratio of the total ongoing charges to the average net asset value for twelve months.

The calculation is in accordance with guidelines issued by the European Securities and Markets Authority (ESMA).

Comparative tables

	Class A accumulation			Class I accumulation		
	2016 (pence per share)	2015 (pence per share)	2014 (pence per share)	2016 (pence per share)	2015 (pence per share)	2014 (pence per share)
Change in net assets per share						
Opening net asset value per share	241.67	197.75	203.88	264.94	214.98	219.82
Return before operating charges*	94.79	47.86	(2.77)	104.56	52.13	(3.04)
Operating charges	(4.38)	(3.94)	(3.36)	(2.32)	(2.17)	(1.80)
Return after operating charges*	90.41	43.92	(6.13)	102.24	49.96	(4.84)
Distributions on accumulation shares	(1.85)	-	-	(8.53)	(2.17)	(1.90)
Retained distributions on accumulation shares	1.85	-	-	8.53	2.17	1.90
Closing net asset value per share	332.08	241.67	197.75	367.18	264.94	214.98
* after direct transaction costs of:	0.44	0.22	0.10	0.46	0.24	0.11
Performance						
Return after charges	37.41%	22.21%	(3.01%)	38.59%	23.24%	(2.20%)
Other information						
Closing net asset value (£000s)	15,356	13,652	17,826	10,594	23,182	16,149
Closing number of shares	4,624,135	5,649,126	9,014,364	2,885,246	8,749,642	7,512,202
Operating charges	1.71%	1.71%	1.71%	0.86%	0.85%	0.85%
Direct transaction costs	0.17%	0.09%	0.05%	0.17%	0.09%	0.05%
Prices						
Highest share price (pence)	333.40	262.40	210.70	368.70	286.30	227.20
Lowest share price (pence)	202.80	198.30	182.70	222.90	215.70	197.80

Performance values are at close of business and may differ from the performance summary.

Operating charges

Operating charges are expenses associated with the maintenance and administration of the fund on a day-to-day basis that are actually borne by the share class.

Past performance is not a guide to future performance

Major holdings

as at 2016	%
Fujitsu	4.83
Japan Tobacco	3.93
Denso	3.58
Murata Manufacturing	3.56
Don Quijote	3.53
Disco	3.51
Fanuc	3.49
Hitachi	3.48
T&D Holdings	3.32
Seibu Holdings	3.26

Asset allocation

as at 2016	%
Information Technology	20.86
Financials	17.36
Consumer Discretionary	16.12
Industrials	14.37
Consumer Staples	9.49
Materials	5.99
Real Estate	5.81
Energy	3.02
Health Care	2.91
Other net assets	4.07
Total net assets	100.00

Major holdings

as at 2015	%
Mitsubishi UFJ Financial	5.51
Toyota Motor	5.47
Keyence	4.61
Fujitsu	4.37
Sumitomo Mitsui Financial	4.19
Rakuten	4.08
Tokio Marine Holdings	3.90
Tokyo Electron	3.89
Daiwa Securities	3.80
Credit Saison	3.68

Asset allocation

as at 2015	%
Financials	31.35
Information Technology	27.82
Consumer Discretionary	25.09
Materials	5.70
Industrials	5.22
Consumer Staples	2.00
Telecommunication Services	1.88
Other net assets	0.94
Total net assets	100.00

Report and accounts

This document is a short report of the Henderson Japan Opportunities Fund for the year ended 31 October 2016.

Copies of the annual and half yearly long form reports of this fund are available on our website www.henderson.com or contact client services on the telephone number provided.

Other information

The information in this report is designed to enable you to make an informed judgement on the activities of the fund during the year it covers and the results of those activities at the end of the year.

Issued by:

Henderson Investment Funds Limited

Registered office:

201 Bishopsgate

London

EC2M 3AE

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by the Financial Conduct Authority.

Registered in England No 2678531

Shareholder Administrator

International Financial Data Services (UK) Limited

IFDS House

St Nicholas Lane

Basildon

Essex

SS15 5FS

Risk warning

Please remember that past performance is not a guide to future performance. The value of an investment and the revenue from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Depository

National Westminster Bank Plc

135 Bishopsgate

London

EC2M 3UR

Auditor

PricewaterhouseCoopers LLP

141 Bothwell Street

Glasgow

G2 7EQ

Contact us

Client Services 0800 832 832

www.henderson.com

**Head Office address:
201 Bishopsgate, London EC2M 3AE**



Changes of address - regulatory requirements

FCA regulation requires us to send this report mailing to the address held on file on the accounting date of 31 October 2016. If you have confirmed a change of address with us since that date we will ensure all future correspondence will be sent to your new address.

Online valuations

You can value your Henderson Japan Opportunities Fund at any time by logging on to www.henderson.com. Select 'Personal Investor' and then access 'Valuations' from the Tools Menu. Simply select the fund you hold and enter the appropriate number of shares.

Any questions ?

Further information about the activities and performance of the fund for this and previous periods can be obtained from the Investment Manager. If you have any questions please call our Client Services Team on 0800 832 832 or email support@henderson.com.

Important Information

Henderson Global Investors is the name under which Henderson Global Investors Limited (reg. no. 906355), Henderson Fund Management Limited (reg. no. 2607112), Henderson Investment Funds Limited (reg. no. 2678531), Henderson Investment Management Limited (reg. no. 1795354), AlphaGen Capital Limited (reg. no. 962757), Henderson Equity Partners Limited (reg. no. 2606646), Gartmore Investment Limited (reg. no. 1508030), (each incorporated and registered in England and Wales with registered office at 201 Bishopsgate, London EC2M 3AE) are authorised and regulated by the Financial Conduct Authority to provide investment products and services. Telephone calls may be recorded and monitored. Ref: 34V

Unless otherwise stated, all data is sourced by Henderson Global Investors.

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